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RUEKJCS/SECDEF WASHDC PRIORITY
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RUEHGV/USMISSION GENEVA PRIORITY 0491
RUEHVEN/USMISSION USOSCE PRIORITY 2387
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C O N F I D E N T I A L SECTION 01 OF 03 BISHKEK 000229

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SUBJECT: NEW KYRGYZ PRIME MINISTER DISCUSSES ECONOMIC
DEVELOPMENT AND AIR BASE ISSUES

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Classified By: Amb. Marie L. Yovanovitch, Reason 1.4 (b) and (d).

11. (C) SUMMARY: During an introductory meeting March 1, new Kyrgyz Prime Minister Azim Isabekov told the Ambassador that he looked forward to continued cooperation with the United States, particularly on economic development issues. Isabekov said that the government's priorities would be to push needed economic legislation through parliament, promote re-development of industry and factories, and increase spending in the social sphere. He stressed the urgency of completing hydro-electric projects within the next three or four years, or risk losing out on electricity export markets to other producers. Turning to the Manas Air Base, Isabekov said that many parliamentarians, as well as the general public, were demanding more openness regarding base payments, and there were concerns about environmental impacts of base operations. He suggested meeting to resolve these issues, especially the environmental concerns -- and then possibly having parliament ratify any agreement. Isabekov appeared to be tossing out ideas for discussion, and it was not clear whether he was suggesting that parliament should ratify the entire base agreement, or just any future agreement on environmental issues. END SUMMARY.

12. (U) Ambassador made an introductory call March 1 on new Prime Minister Azim Isabekov. Deputy Foreign Minister Sarbayev also attended the meeting.

CONTINUED COOPERATION

13. (C) Prime Minister Isabekov said that U.S. relations were a priority for him, and he expressed thanks for U.S.

assistance in economic and political reform. He said he looked forward to continued cooperation, particularly on economic development issues. Asked about his government's priorities, Isabekov said now that the new government structure was in place, the government would focus on completing the budget, which has gone through its initial reading in parliament. The government would also focus on getting needed economic reform legislation through parliament. He said that the government hoped to promote greater industrial development, and would seek to increase spending in the social sphere, including infrastructure such as new schools. In addition to developing the mining sector, Isabekov said that the government was looking to increase revenues from existing projects, including through negotiations with the Canadian operators of the Kumtor gold mine over new conditions. (Note: First Deputy Prime Minister Usenov recently held discussions with the Canadian parent company; the Kyrgyz Government holds stock in the parent company valued at approximately \$350 million. End Note.)

14. (C) Agreeing that reform of the energy sector was a key to economic development, Isabekov noted that many people had looked at the sector and had made many recommendations. Isabekov said that the government would decide to proceed with restructuring, and he wanted any process to be transparent. He said that development of hydro-electric projects, such as Kambarata 1 and 2, was a top priority, and he stressed the urgency of completing projects within the next three to four years, or risk losing out on export markets to other producers.

15. (C) Isabekov said he was generally familiar with the scope of international assistance projects in the country from his earlier work in the presidential administration, but would

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welcome a more detailed briefing on U.S. programs, including USAID's Regional Energy Marketing Assistance Program (REMAP). He was interested in expanding assistance to education, either to school infrastructure or other educational programs, especially in the regions recently hit by earthquakes.

CONCERNS ABOUT THE BASE

16. (C) Turning to the Manas Air Base, Isabekov said that people understood the importance of the war on terrorism for Central Asia, but there was a need for greater openness regarding base payments. Isabekov stressed that it was not the leadership or the government that was pushing this issue, but that the general public, and some parliamentarians, were demanding greater transparency. Isabekov also raised concerns about the environmental impact of base operations, claiming the fuel dumping had hurt crops and livestock and that noise from night operations was disturbing residents of nearby villages. The Ambassador pointed out that there had been no fuel dumping near Manas since September 2005, and that procedures had been agreed for emergency situations. Isabekov said his office would provide a list of ecological problems, and he requested that the Ambassador meet with representatives from nearby village councils. (Note: We are working with the PM's office to arrange such a meeting. End Note.)

RATIFYING THE AGREEMENT?

17. (C) Isabekov said that parliament would continue to raise concerns about the base, and this could lead to greater problems. He suggested reviewing the base agreement and meeting to find solutions to the many outstanding issues, especially the environmental concerns. Isabekov said that parliament could then ratify any agreement. The meeting was cut short owing to Isabekov's next meeting, but the Prime

Minister invited the Ambassador to meet again in the near future.

COMMENT

18. (C) Isabekov was relaxed and engaged in this first meeting. Although he did not go into detail, he laid out his government's priorities for economic development and improvements to education. He seemed to favor closer cooperation with the U.S., and appeared interested in more information about U.S. assistance programs.

19. (C) Regarding the base, Isabekov appeared to be tossing out ideas for discussion. It was not clear whether he was suggesting a full review of the base agreement or a more limited review with respect to outstanding issues. It was also not clear whether he was suggesting that parliament ratify the full base agreement, or just approve any agreement on the environmental and other concerns. Deputy Foreign Minister Sarbayev subsequently told the Ambassador during a March 5 meeting that, as far as he knew, the prime minister's comments on the base agreement did not reflect a new official policy. He had understood the prime minister to say that the base agreement should be reviewed with respect to the outstanding issues, especially for environmental concerns, and we should meet to find new solutions to the outstanding problems -- and parliament could then approve any agreement. While Isabekov may well have been speaking off the cuff, the

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issue bears watching, as his comments could be an indication of where some in the government want to go with regard to re-opening the base agreement.
YOVANOVITCH